

Message Text

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PAGE 01 RABAT 04876 072004Z

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ACTION NEA-10

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O 071803Z SEP 76

FM AMEMBASSY RABAT

TO SECSTATE WASHDC IMMEDIATE 9724

C O N F I D E N T I A L RABAT 4876

STADIS//////////

FOR NEA ONLY

E.O. 11652: GDS

TAGS: MASS MO

SUBJECT: MOROCCO - FMS CREDIT

REF RABAT 1908

1. IN REVIEWING RABAT 1908 IN LIGHT OF DEVELOPMENTS SINCE ARRIVAL, AMBASSADOR CONCLUDED INSUFFICIENT JUSTIFICATION WAS PRESENTED IN REFTEL FOR EXTREMELY IMPORTANT ADDITIONAL \$15 MILLION IN OUR FY-1977 FMS CREDIT REQUEST.

2. INCREASE PRIMARILY REFLECTS HIGHER GOM REQUIREMENTS FOR US-SOURCE EQUIPMENT BASED ON ACCELERATED MILITARY RENEWAL PROGRAM OCCASIONED BY PERCEIVED INCREASE IN MILITARY THREAT FROM ALGERIA.

3. SECONDARY JUSTIFICATION, WHICH HAS TAKEN ON INCREASED IMPORTANCE AS YEAR HAS PROGRESSED, IS RELATED TO FAIRLY SEVERE TEMPORARY CASH FLOW PROBLEM GOM IS EXPERIENCING IN TRYING TO MAINTAIN MAIN ECONOMIC DEVELOPMENT OBJECTIVES IN FACE OF DECREASED PHOSPHATE REVENUES AND HIGHER THAN ANTICIPATED SAHARAN COSTS. MAJOR ITEM PLACING STRAIN ON GOM DEFENSE BUDGET WAS THE DECISION TO BUY 25 F-1 MIRAGE AIRCRAFT SINCE EXISTING F-5A'S ARE NOT A GOOD MATCH FOR THE ALGERIAN MIG-21S.

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PAGE 02 RABAT 04876 072004Z

GOM FIRST SOUGHT TO BUY F-5E/F'S FROM THE USG IN AUGUST

1975. WHEN OFFER TO SELL WAS NOT FORTHCOMING, ORDER FROM FRANCE WAS CONSUMMATED. SIGNIFICANT FACTOR IS THAT F-15S COST GOM IN EXCESS OF \$200 MILLION MORE THAN A LIKE AMOUNT OF F-5S (\$326M VS \$110M). CHOICES FOR COVERING BUDGETARY GAP BOIL DOWN TO POSTPONING DEVELOPMENT PROJECTS AT COST OF INCREASED UNEMPLOYMENT AND SOCIAL TENSION, REDUCING PACE OF MILITARY PROGRAM, OR OBTAINING MODESTLY INCREASED CREDIT FACILITIES TO TIDE ECONOMY OVER NEXT EIGHTEEN MONTHS OF TIGHT LIQUIDITY. WE BELIEVE WE SHOULD RESPOND TO NEED BY EXTENDING MODEST ADDITIONAL FMS CREDIT.

4. MEDIUM TO LONGER TERM ECONOMIC OUTLOOK REMAINS ENCOURAGING. TOURIST REVENUES AND REMITTANCES REMAIN STRONG AND 1976 HARVEST HAS RECOVERED WELL FROM TWO DROUGHT YEARS. PHOSPHATE REVENUES REMAIN CRITICAL ELEMENT, WITH MOST EXPECTATIONS FOR FAIR TO GOOD RECOVERY IN 1977 AND BEYOND. FAR REEQUIPMENT PLANS ARE REASONABLE, AND GOM REMAINS CREDITWORTHY.

5. REQUESTED \$15 MILLION FMS CREDIT INCREASE WOULD RESPOND TO GREATER GOM EQUIPMENT NEEDS; PROVIDE ENCOURAGEMENT TO "BUY AMERICAN"; AND HELP GOM OVER HUMP OF SHORT-TERM CASH FLOW PROBLEMS. IT WOULD ALSO BE A VALUABLE INDICATION OF US SUPPORT TO GOM AT A TIME OF IMPROVING BILATERAL RELATIONS.

6. AMBASSADOR ANDERSON, WHO CURRENTLY IN SPAIN, SUPPORTS THIS JUSTIFICATION.
MOFFAT

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